



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
61 FORSYTH STREET, ROOM 18T71
ATLANTA, GEORGIA 30303**

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MEMORANDUM

DATE: October 15, 2003

TO: Sally Stroup
Assistant Secretary
Office of Postsecondary Education

FROM: J. Wayne Bynum */s/ J. Wayne Bynum*
Regional Inspector General for Audit
Office of Inspector General

SUBJECT: **FINAL AUDIT REPORT**
Stillman College's Administration of the Federal TRIO Programs
Needs Improvement
Control No. ED-OIG/A04-C0019

You have been designated as the action official responsible for the resolution of the findings and recommendations in the attached final report. We have also provided a copy to the auditee and to your Audit Liaison Officer.

The Office of Inspector General is required to review and approve your proposed Program Determination Letter (PDL) and the Audit Clearance Document (ACD) before the PDL is forwarded to the auditee. Please provide these documents for review, electronically if you wish or by mail, to:

J. Wayne Bynum
Regional Inspector General, Region IV
U.S. Department of Education
Office of Inspector General
61 Forsyth Street, Room 18T71
Atlanta, GA 30303

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the number of audits unresolved. In addition, any report unresolved after 180 days from the date of issuance will be shown as overdue in our reports to Congress.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions, please contact me at 404-562-6477 or Assistant Regional Inspector General Mary Allen at 404-562-6465.

Attachment



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
61 FORSYTH STREET, ROOM 18T71
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Telephone: (404) 562-6470

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October 15, 2003

Dr. Ernest McNealey
President
Stillman College
P.O. Box 1430
Tuscaloosa, AL 35403

Dear Dr. McNealey:

Enclosed is our final audit report, Control Number ED-OIG/A04-C0019, entitled *Stillman College's Administration of the Federal TRIO Programs Needs Improvement*. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking final Departmental action on this audit:

Sally Stroup
Assistant Secretary
Office of Postsecondary Education
Department of Education
1990 K Street, NW, Room 7115
Washington, DC 20006

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/ J. Wayne Bynum
J. Wayne Bynum
Regional Inspector General for Audit
Region IV

Enclosure

Stillman College's Administration of the Federal TRIO Programs Needs Improvement

FINAL AUDIT REPORT



ED-OIG/A04-C0019
October 2003

Our mission is to promote the efficiency,
effectiveness, and integrity of the
Department's programs and operations.



U.S. Department of Education
Office of Inspector General
Atlanta, Georgia

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

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EXECUTIVE SUMMARY

Stillman College (the College) is a four-year, private, non-profit Historically Black College in Tuscaloosa, Alabama. The purpose of the audit was to determine whether the College administered the Federal TRIO programs in accordance with Title IV, Section 402A of the Higher Education Act of 1965, as amended, and the Education Department General Administrative Regulations (EDGAR). Specifically, we determined whether the College adhered to TRIO program requirements regarding (1) accounting for and using funds, (2) determining participant eligibility, (3) providing eligible services, (4) documenting the achievement of program objectives, (5) submitting required reports, and (6) supporting salary and wage charges. Audit coverage included the following TRIO programs: Student Support Services (SSS), Upward Bound (UB), Upward Bound Young Scholars¹ (UBYS), and Upward Bound Math & Science (UBMS).

Although the timing and amount of cash drawdowns from the Department are to be as close as administratively feasible to actual disbursements, the College drew down more TRIO funds than it needed. The College did not have adequate controls over the drawdown and expenditure of TRIO funds for program purposes. As of October 31, 2002, the College had drawn down TRIO funds in excess of its program expenditures totaling \$313,545 for three TRIO programs (SSS, UBYS, and UBMS).

The College lacked proper accounting controls over recording and reporting TRIO program expenditures and reporting expenditures in the financial statements. Expenditures were not posted to the accounting ledger in a timely manner. The College did not have an accurate financial picture of TRIO funds expensed and funds available.

The College did not maintain an adequate inventory of computer equipment purchased with TRIO funds. The TRIO Director did not maintain an inventory of computer equipment purchased with TRIO funds because EDGAR requires an inventory for equipment valued over \$5,000. However, it was the College's policy to maintain a computer equipment inventory of items valued over \$1,000. The College expended \$67,951 in TRIO funds for instructional supplies that included computer equipment.

SSS program services were provided to non-SSS participants. The College allowed all students to receive tutoring by the SSS staff, who were paid 100 percent from TRIO funds. As a result, TRIO funds were used to provide services to ineligible participants.

The 2001 award year performance reports for the UB and UBYS programs were inaccurate. The accuracy of the reported objectives ranged from zero to 100 percent. We attributed the inaccuracies to the lack of additional staff to help check the accuracy of the

¹ Stillman College received two regular Upward Bound grants. The College refers to Upward Bound award P047A990692 as the "Upward Bound" program and Upward Bound award P047A990760 as the "Upward Bound Young Scholars" program.

reported information. At the time of our review, additional staff was not available to help check the accuracy of the information for award year 2003.

We recommend that the Assistant Secretary for Office of Postsecondary Education require the College to-

- Return \$107,679, \$66,279, and \$139,587 that was drawn down for the SSS, UBYS, and UBMS grants, respectively, and not expended;
- Establish effective policies, procedures, and management controls to ensure that TRIO funds are only drawn down to meet immediate cash requirements in carrying out the purpose of the program;
- Establish reconciliation procedures to be performed on a monthly and year-end basis to ensure that TRIO grant funds are expended and recorded in a timely fashion;
- Establish effective procedures and management controls to ensure that all TRIO accounting transactions are recorded accurately and in a timely manner in its accounting ledgers;
- Maintain an inventory of equipment purchased with TRIO funds as described in 34 CFR § 74.34(f) (2001) to ensure that the equipment is adequately safeguarded to prevent loss, damage, or theft;
- Ensure that the SSS English and math tutors paid 100 percent with TRIO funds only provide services to eligible participants; and
- Establish adequate procedures for preparing performance reports to ensure that the performance data reported for each student is accurate and supported by sufficient documentation.

We also recommend that the Assistant Secretary for Postsecondary Education-

- Determine whether Stillman College should be declared a “high-risk” grantee and, if necessary, impose special conditions allowed by 34 C.F.R. § 74.14 (2001) (e.g., reimbursement method for payment, etc.); and
- Initiate appropriate monitoring activities to bring the College into compliance with EDGAR.

In its written response to the draft report, the College disagreed with the amount of difference between the TRIO fund drawdowns and program expenditures. Based on its analysis of drawdowns and expenditures, the College concluded that drawdowns exceeded expenditures by \$189,799. The College also stated that it had implemented a new accounting system and a new TRIO payroll policy that corrected the problems noted in this audit. In addition, the College feels that it was in compliance with regulations regarding equipment inventory and student support services. The response also said the College implemented new procedures to ensure performance reports are accurate and supported by sufficient documentation.

We summarized the College’s comments after each finding and included them in their entirety as Attachment B to this report. Our comments to the College’s written response are included after each finding. We did not amend our recommendations.

AUDIT RESULTS

Our audit objective was to determine whether the College administered the Federal TRIO programs in accordance with Title IV, Section 402A of the Higher Education Act of 1965, as amended, and EDGAR. Specifically, we determined whether the College adhered to TRIO program requirements regarding (1) accounting for and using funds, (2) determining participant eligibility, (3) providing eligible services, (4) documenting the achievement of program objectives, (5) submitting required reports, and (6) supporting salary and wage charges.

We did not identify significant compliance problems with participant eligibility or the submission of reports. However, we did identify problems with accounting for and using funds, providing eligible services, documenting the achievement of program objectives, and supporting salary and wage charges. We attributed these compliance problems to the lack of adequate management controls over the administration of the TRIO programs. The compliance problems identified are outlined in Findings 1 through 5.

Finding No. 1 – The College Drew Down More TRIO Funds Than Were Recorded As Expenditures

The College drew down more TRIO funds than it needed for program expenditures. This occurred because the College did not have adequate controls over the drawdown and expenditure of TRIO funds. As a result, the College drew down \$313,545 in excess of its TRIO program expenditures.

The regulations at 34 C.F.R. § 74.22(b)(2) and (b)(3) (2001)² state:

Cash advances to a recipient organization are limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.

The timing and amount of cash advances are as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

As of October 31, 2002, the College had drawn down more funds than it expended for three of its four TRIO programs. For the 1997-2001 Student Support Services (SSS) grant that closed in August 2001, drawdowns exceeded recorded expenses in the

² Although the 2001 regulations are generally quoted in this report, the 1997, 1998, 1999, 2000, and 2002 regulations had the same requirements.

accounting ledgers by \$107,679. In addition, drawdowns exceeded expenses charged for the Upward Bound Young Scholars (UBYS) and Upward Bound Math & Science (UBMS) grants by \$66,279 and \$139,587, respectively. The UBYS and UBMS grants will expire in 2004. As a result, the College drew down \$313,545 in TRIO funds that it did not expend for TRIO program purposes. Drawdowns for the Upward Bound (UB) program did not exceed expenditures during the audit period. Table 1.1 below illustrates the differences in drawdowns and expenditures for the four TRIO programs.

Table 1.1 – TRIO Drawdowns and Expenditures as of 10/31/2002

		Expenditures	Overdraws
SSS	\$ 813,038	\$ 705,359	\$ 107,679
UB	1,253,053	1,305,719	(52,666)
UBYS	746,633	680,355	66,278
UBMS	684,397	544,809	139,588
Total Overdraws			\$313,545

NOTE: The negative overdraw amount is not included in the total overdraw amount since funds drawn for a grant can only be expensed for that grant and cannot be used for another grant (e.g., UB funds cannot be used for SSS expenses). [OMB Circular A-122, Cost Principles for Non-Profit Organizations]

The College lacked adequate internal controls for drawing down TRIO funds and for recording expenditures in its TRIO accounting ledgers. The Grant Administrator and the Business Office Manager explained that the College did not match each drawdown to actual expenditures recorded in the accounting ledgers for each grant. Our review confirmed that expenditures were not always recorded in the accounting ledgers and were sometimes recorded to incorrect accounting ledgers. (See Finding 2 for a discussion of accounting control problems that contributed to the drawdown of excessive funds.)

The College did not have a reconciliation process to verify that all TRIO funds drawn down were used to pay TRIO expenses before making additional drawdowns. Although the College generally drew down funds based on outstanding purchases or requisitions, the memoranda requesting drawdowns did not always explain the specific expense amounts that would be paid with TRIO funds.

We identified several memoranda written by the former TRIO Grant Administrator that requested the drawdown of Federal funds "to replenish the Operating Account of some much needed working capital." Memoranda also stated that "due to the severe cash flow shortage" the College was going to draw down funds based on "a summary of grant costs on a forecasting basis." Based on these memoranda and our review of the College's accounting for drawdowns and expenditures, we concluded that the College drew down TRIO funds to pay for operating expenses rather than to satisfy immediate TRIO cash needs.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Postsecondary Education:

- 1.1 Require the College to return \$107,679, \$66,279, and \$139,587 that was drawn down for the SSS, UBYS, and UBMS grants, respectively, and not expended.
- 1.2 Require the College to establish effective policies, procedures, and management controls to ensure that TRIO funds are only drawn down to meet immediate cash requirements in carrying out the purpose of the program.
- 1.3 Require the College to establish reconciliation procedures to be performed on a monthly and year-end basis to ensure that TRIO grant funds are being expended and recorded in a timely fashion.
- 1.4 Determine whether the College should be declared a “high-risk” grantee and, if necessary, impose special conditions allowed by 34 C.F.R. § 74.14 (2001) (e.g., reimbursement method for payment, etc.).
- 1.5 Initiate appropriate monitoring activities to bring the College into compliance with EDGAR.

STILLMAN COLLEGE RESPONSE

The College’s written response to the draft report (see Attachment B) stated that its analysis for the four TRIO programs showed a difference of about \$174,349 between expenses recorded and the fund drawdowns. In addition, it was discovered that during 1999-2000 indirect cost of \$22,981 was not charged to the TRIO programs, nor were the UBYS and UBMS programs billed for \$34,292 in room charges for the summer programs. The College said it appears as though these costs were taken into consideration when the drawdowns were done, but were never recorded on the ledger. The College stated that taking these expenses into consideration, the drawdowns exceeded expenses by \$189,799.

Throughout the audit, it was communicated that the College implemented a new integrated accounting system, which required a new account number structure. As part of the transition to the new account number, several TRIO transactions were coded with the old account numbers. The accountants worked to correct the account number problems, but they apparently did not catch all of them. The excess cash in the UBYS and UBMS and the overage in UB and SSS are attributed to the account number change. Over the past 18 months, several process changes have been made to improve the College’s grant accounting procedures. [See Attachment B for a list of process changes.] With these changes, the College is confident that all TRIO transactions will be properly coded and recorded.

OIG COMMENTS

The College's calculation of drawdowns versus expenditures differs from our calculation. The College included drawdowns and expenditures from both the 9/01/1997 – 8/31/2001 SSS grant (old grant) and the 9/01/2001 – 8/31/2006 SSS grant (new grant). By doing this, drawdowns that were not expended from the old grant were offset by expenditures from the new grant. However, the old grant is a separate grant and drawdowns for the old grant cannot be used to pay expenditures for the new grant. We reviewed the documentation provided by the College to support its UB, UBYS, and UBMS program expenditures and found that it did not match expenditures recorded in the TRIO accounting ledgers. The College did not submit accounting ledgers to support its claims of drawdowns and expenditures for its TRIO programs.

Regarding the \$22,981 in indirect cost that was not recorded in the TRIO accounting ledgers for 1999-2000, we verified that the College did not enter indirect cost for the TRIO programs for that year. The College did not submit evidence that it had recorded indirect cost in its accounting ledgers for 1999-2000. If the College provides evidence to the Department that it posted indirect cost to its accounting ledgers for 1999-2000, the Departmental Action Official may allow the College to reduce the recommended recovery by that amount. The amount of indirect cost claimed should not exceed the College's indirect cost rate of 8 percent.

Regarding the \$34,292 in room charges that were not entered into the TRIO accounting ledgers, the College did not submit sufficient evidence (receipts and institutional accounting ledger entries) to show that these expenditures were allowable and made solely for its TRIO programs. Therefore, we could not verify that these were allowable TRIO expenditures.

In conclusion, we did not change our figures in the final report. The College did not provide sufficient documentation to show that \$313,545 in program drawdowns was used for allowable TRIO expenditures.

We appreciate the College's effort to strengthen its policies, procedures, and management controls to improve its accounting procedures. The actions described in the College's written response should help ensure that it meets Departmental requirements regarding TRIO fund drawdowns and expenditures.

Finding No. 2 – The College Lacked Proper Accounting Controls

The College lacked proper accounting controls over recording and reporting TRIO program expenditures. There were inadequate controls over recording salary and general non-salary expenses and reporting expenditures in the financial statements. This occurred because expenditures were not posted to the appropriate accounting ledger in a timely manner. As a result, the College did not have an accurate financial picture of funds expensed and funds available for each TRIO grant.

The regulations at 34 C.F.R. § 74.21(b)(1) and (2) (2001) state that grant recipients' financial management systems shall provide for the following:

Accurate, current, and complete disclosure of the financial results of each federally-sponsored project in accordance with the reporting requirements established in Sec. 74.52 . . .

Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

In addition, Office of Management and Budget (OMB) Circular A-133, Sec 310(a) (1997) requires that "the auditee shall prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited."

Employee Salary Expenses Inaccurately Recorded

We reviewed a random sample of three months of TRIO payroll records for each of the College's four TRIO programs for the 2001 award year. Our sample covered monthly salary payments totaling \$105,932 for 57 full- and part-time TRIO employees. We found that salary expenditures for 18 of the 57 employees totaling \$28,990 were recorded to the TRIO program, but were recorded in the incorrect accounting ledger. As a result, the College did not have an accurate financial picture of funds expensed and funds available for each TRIO grant. Table 2.1 below illustrates the number of sampled employees that were incorrectly recorded by program. We found no significant deficiencies in recording salary expenditures during our review of TRIO payroll records for the 2002 award year.

Table 2.1 – Employee Salaries Recorded to Incorrect TRIO Grant Accounting Ledgers in 2001 Award Year

			No. of Employees Incorrectly Recorded as Paid from Grant
SSS	9	7	2
UB	31	19	12
UBYS	12	8	4
UBMS	5	5	0
Totals	57	39	18

General TRIO Expenses Not Recorded

We reviewed a random sample of 18 of 180 general (non-salary) TRIO expenditures for the four TRIO grants in the 2001 award year. The 18 expenditures totaled \$196,224. We found that 7 of the 18 general expenditures totaling \$9,758 were not entered into the TRIO general ledger. We found no significant deficiencies in our review of a random sample of 15 of 147 general TRIO expenditures for the 2002 award year.

Financial Statements Not Supported by Accounting Ledgers

The TRIO grant expenditures reported in the FY 2001 financial statements exceeded the expenditures recorded in the accounting ledgers and the drawdowns reported in the Department's Grants Administration Payment System (GAPS). UB expenditures reported in the financial statements were higher than the expenditures recorded in the accounting ledgers by \$13,324 and higher than the GAPS drawdowns by \$33,756. SSS expenditures reported in the financial statements were higher than the expenditures recorded in the accounting ledgers by \$236,621 and higher than the GAPS drawdowns by \$163,148.

The College did not record expenditures in the TRIO accounting ledgers in a timely manner. Stipend and salary payments were recorded in the accounting ledgers at least one month after the payments were made. According to the Business Office Manager and staff, this occurred because staff members were busy performing other functions. The Business Office Manager said they were aware that stipend and salary payments should be recorded more quickly so that grant budgets would reflect an accurate representation of actual expenses and available funds.

The College changed to a new accounting system in FY 2001. During the transition to the new system, the staff recorded many TRIO expenses to the wrong year accounting codes. The College made 269 TRIO journal entries to correct these errors. Because expenses were incorrectly categorized and not always entered into the accounting ledgers, the College did not have an accurate picture of expenses and funds available for the TRIO grants. This created a risk of the College drawing down TRIO funds based on incorrect budget information. Also, due to the number of corrective entries made during FY 2001, the accounting system did not accurately capture true TRIO budget and expense data throughout the year.

By not accurately reporting TRIO expenditures, in particular the SSS expenditures, the College's financial statements did not adequately reflect its financial position, results of operations or changes in net assets, and cash flows for the fiscal year audited.

RECOMMENDATIONS

We recommend that the Assistant Secretary of the Office of Postsecondary Education require the College to:

- 2.1 Establish effective procedures and management controls to ensure that all TRIO accounting transactions are entered accurately and in a timely manner into the accounting ledgers.
- 2.2 Review all salary expenses for the 2001 award year and make adjustments as necessary to ensure that all TRIO salaries are recorded to the correct grant ledger.

STILLMAN COLLEGE RESPONSE

In its written response to the draft report (see Attachment B), the College stated that throughout the audit, it was communicated that the College implemented a new integrated accounting system, which required a new account number structure. As part of the transition to the new account number, several TRIO transactions were coded with the old account numbers. The accountants worked to correct the account number problems, but they apparently did not catch all of them. The excess cash in the UBYS and UBMS and the overage in UB and SSS were attributed to the account number change.

In response to the comment regarding stipends and salary payments recorded at least one month after payments were made, the College outsources its payroll to ADP, which requires that the College manually record all payroll transactions in its accounting system. This is a tedious and time-consuming process, which accounts for the delay in getting these expenses on the books. Detail payroll records are provided from ADP, so the College is aware of the monthly payroll expense for the TRIO programs.

The College implemented a new policy, which requires the TRIO Program Director to complete a Personnel Action Form for all grant employees at the beginning of each new grant period. The form requests information regarding employee gross pay, name of TRIO program, account number, and if the employee is paid from multiple sources, the programs and the appropriate budget account number. As a result of implementing this new policy, the OIG audit found no deficiencies in their samples for the 2002 award year.

Regarding the difference between the amount of TRIO expenditures reported on the College's FY 2001 financial statements and what was reported in the accounting ledgers, the College has contacted its auditors to inquire about this discrepancy. The auditors are looking at their working papers to determine the explanation for the difference.

OIG COMMENTS

We appreciate the College's effort to strengthen its policies, procedures, and management controls to improve its accounting procedures. The actions described in the College's response should help ensure that it meets Departmental requirements for recording expenditures in the proper accounting ledgers in a timely manner.

Finding No. 3 – Inventory Not Maintained of Equipment Purchased with TRIO Funds

The College did not maintain an adequate inventory of computer equipment purchased with TRIO funds. Although it was the College's policy to maintain a computer equipment inventory of items valued over \$1,000, the TRIO Director did not maintain an inventory of computer equipment purchased with TRIO funds because EDGAR requires an inventory for equipment valued over \$5,000. The College expended \$67,951 in TRIO funds for instructional supplies that included computer equipment without maintaining a computer equipment inventory.

The regulations at 34 C.F.R. § 74.2 (2001) define equipment as “tangible nonexpendable personal property including exempt property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with recipient policy, lower limits may be established.”

The Department’s property management standards at 34 C.F.R. § 74.34(f)(1) (2001) for equipment acquired with Federal funds state that an inventory shall include:

- (i) A description of the equipment.
- (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
- (iii) Source of the equipment, including the award number.
- (iv) Whether title vests in the recipient or the Federal Government.
- (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
- (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).
- (vii) Location and condition of the equipment and the date the information was reported.
- (viii) Unit acquisition cost.
- (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates ED for its share.

The regulations at 34 C.F.R. § 74.34(f)(3) and (4) (2001) state in part that “A physical inventory of equipment must be taken and the results reconciled with the equipment records at least once every two years . . . [and] a control system must be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment.”

During the 2001-2002 award year, the College expended \$67,951 for Instructional Supplies (that included computers and computer equipment) for its four TRIO programs. The TRIO Director was unable to provide a computer equipment inventory or receipts for the computers purchased with TRIO funds. In addition, the Business Office did not document the receipt of TRIO computer equipment.

The TRIO Director stated that he did not maintain an inventory of TRIO computer equipment because the Department’s regulations only require an inventory for equipment valued at \$5,000 or more. The Business Office Manager stated that the College did not keep a separate TRIO computer inventory because it did not capitalize computers purchased with Government funds. However, the College’s general policy for maintaining computer equipment not purchased with Government funds was to capitalize equipment purchases valued over \$1,000 with a useful life greater than a year.

Although the College did not maintain an inventory for equipment purchased with TRIO funds, the TRIO Director stated that when the College purchased a computer for a

particular TRIO Program, the Office of Auxiliary Services placed a sticker on the computer with the initials of the TRIO program using the computer. For example, if the Upward Bound program were using a computer, a hand-written sticker with the initials "UB" would be placed on the computer. The TRIO Director also stated that the stickers indicated if TRIO funds were used to purchase the computer. We observed more than one sticker on some computers, which raised the question as to which program's funds were used to purchase the computers.

The Office of Auxiliary Services provided inventory listings that included the computer equipment being used by the TRIO programs during the College's 2001 and 2002 fiscal years. However, these listings did not include (1) an accurate source of the equipment (TRIO computers were listed as DOE/Title III), (2) an indication of the ownership of the equipment (institution or Federal Government), (3) the acquisition date of the equipment, (4) the cost of the equipment, and (5) the date of disposal of the equipment. Also, laptop computers and projectors that the TRIO Director indicated were purchased with TRIO funds were not listed on these inventory listings.

The Business Office Manager stated that several computers had been stolen from the campus, but the stolen computers had not been purchased with Federal funds. However, because the College did not maintain a detailed inventory of equipment purchased with TRIO funds, there was no way of determining whether the stolen equipment was purchased with Federal funds.

Without a detailed inventory and properly tagged equipment, the College did not have adequate safeguards in place to prevent loss, damage, or theft of the equipment. An inventory would also ensure that equipment purchased with TRIO funds is only used by the program that purchased it.

RECOMMENDATION

We recommend that the Assistant Secretary of the Office of Postsecondary Education require the College to:

- 3.1 Follow its equipment purchase policy for establishing and maintaining an inventory of equipment purchased with TRIO funds to ensure that the equipment is adequately safeguarded to prevent loss, damage, or theft.

STILLMAN COLLEGE RESPONSE

The College believes that it was in compliance with regulations at 34 C.F.R. § 74.2 (2001), which defines equipment as "tangible . . . useful life of more than one year and an acquisition cost of \$5,000 or more per unit." The equipment was not capitalized, but was tracked in the College's inventory report. To improve the tracking of these purchases, the College's inventory procedures have been updated to include the recording of all of the information required by Federal regulations. The inventory will now include: Description of equipment, identification number, serial number, TRIO program

purchasing the equipment, acquisition date, location and condition of equipment, acquisition cost, and disposition data. Also, Auxiliary Service is provided with the appropriate paperwork when capital purchases are initiated and is notified when equipment is received, so that it can be properly inventoried and tagged.

Regarding the computers stolen from the campus, the Business Office Manager can say with unequivocal confidence that the stolen computers were not purchased with Federal funds.

OIG COMMENTS

We appreciate the College's effort to implement an inventory system for computer equipment purchased with Federal funds. The actions described in the College's response should help ensure that computer equipment purchases are safeguarded against loss, damage, and theft.

Although the College indicated that computers purchased with Federal funds were not stolen, we recommended that the College maintain a detailed equipment inventory as a control for safeguarding and tracking all equipment, not just equipment purchased with Federal funds. An inventory system will provide a safeguard against loss, damage, and theft of all computer equipment purchased by the College, regardless of funding source.

Finding No. 4 – Student Support Services Were Provided to Non-Participants

The College provided SSS to non-SSS participants by allowing the SSS staff to tutor all enrolled students. As a result, TRIO funds were used to provide services to ineligible participants.

The Department's SSS regulations state:

The Secretary encourages grantees to coordinate project services with other programs for disadvantaged students operated by the grantee institution provided the Student Support Services grant funds are not used to support activities reasonably available to the general student population. [34 CFR Section 646.32 (d)(1) (2001)]

Allowable costs include the following if they are reasonably related to the objectives of the project: (a) Cost of remedial and special classes if--
(1) These classes are not otherwise available at the grantee institution;
(2) Are limited to eligible project participants; and (3) project participants are not charged tuition for classes paid for by the project.
[34 CFR Section 646.30 (2001)]

English and math tutoring services provided by SSS employees were also available to non-SSS students. Our review of 9 of the 88 English tutoring sign-in sheets for the 2000-

2001 award year revealed that non-SSS participants received SSS tutoring. For the nine sign-in sheets reviewed, 88 of 167 students that received tutoring were not listed as SSS participants in the College's performance report. Our review of 5 of the 45 math tutoring sign-in sheets for the 2000-2001 award year also revealed that non-SSS participants received SSS tutoring. For the five sign-in sheets reviewed, 10 of 69 students that received tutoring were not listed as SSS participants in the College's performance report. The SSS English and math tutors' salaries were paid 100 percent from TRIO funds.

The English and math tutors confirmed that they provided tutoring services to both SSS participants and non-participants. The TRIO Computer Laboratory Computer Specialist also stated that all students at the College have access to the SSS/TRIO computer lab and are allowed to use the facility.

The Vice President for Academic Affairs stated that, in addition to SSS tutors, the College had tutors available to the general student population in the College's sciences, business, math, and other discipline areas. The Vice President said the College provides mentors, academic advisors, and teachers who assist students with their academic needs. The Vice President said there were also several computer labs throughout the campus, in addition to the TRIO lab.

The TRIO Director stated that non-SSS participants were allowed to use SSS services in order to encourage non-participants to join the SSS program. There was no identified need for the College to allow the general student population to use SSS services because the College provided other similar services to the general student population. By allowing SSS employees to provide services to non-SSS participants and non-participants to utilize SSS services and equipment, the College used TRIO funds to provide services to ineligible participants.

RECOMMENDATION

We recommend that the Assistant Secretary of the Office of Postsecondary Education require the College to:

- 4.1 Ensure that SSS English and math tutors paid 100 percent with TRIO funds only provide services to eligible participants.

STILLMAN COLLEGE RESPONSE

The College believes it was in compliance with SSS regulations at 34 CFR § 646.32 (d)(1) (2001) as it relates to coordinating project services with other College programs to provide support activities to disadvantaged students. The College offers tutoring, mentoring, and academic advising to students; however, the College did not have a structured English and Mathematics tutoring program that was readily available to the general student population.

OIG COMMENTS

We recognize that the College has the option to decide how to best provide tutoring services to students, in accordance with the TRIO regulations when services are funded from that source. We suggest that the College contact the Departmental TRIO program office to obtain guidance on how to best coordinate tutoring services, when tutoring services are funded from both institutional and TRIO funds.

Finding No. 5 – Upward Bound and Upward Bound Young Scholars Performance Reports Were Not Always Accurate

We reviewed supporting data for the TRIO performance reports for award years 2001 and 2002. The 2001 award year performance reports for the UB and UBYS programs were inaccurate. Also, the College did not meet its performance objective for the number of UBYS students it served in award year 2001. The College staff responsible for preparing the performance reports did not ensure the accuracy of the reported information prior to submission. The accuracy of the reported objectives ranged from zero to 100 percent for the supporting data we reviewed.

The regulations at 34 C.F.R. § 74.51(d)(1) (2001) require the following:

Performance reports must generally contain, for each award . . . a comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both.

In addition, the Upward Bound regulations at 34 C.F.R. § 645.43(c) (2001) require that:

For each participant, a grantee shall maintain a record of (1) The basis for the grantee's determination that the participant is eligible to participate in the project under §645.3; (2) The basis for the grantee's determination that the participant has a need for academic support in order to pursue successfully a program of education beyond secondary school; (3) The services that are provided to the participant; (4) The educational progress of the participant during high school and, to the degree possible, during the participant's pursuit of a postsecondary education program.

The UB and UBYS performance reports for the 2001 award year were not always accurate when compared to the supporting documentation. The supporting documentation for the UB and UBYS performance reports had large variations in accuracy. For the supporting data we reviewed, the accuracy of the UB performance report varied from 12 to 88 percent, while the accuracy of the UBYS report varied from zero to 100 percent. Tables 5.1 and 5.2 in Exhibit A illustrate the objectives that were not fully supported for the 2001 award year.

In addition, the College did not meet its performance objective for the number of students served. For example, in its 2001 UBYS performance report, the College reported that it served 50 students. However, the supporting documentation showed that the College served 46 students. In another example, one UBYS objective was to inspire 96 percent of the participants to maintain at least a 2.5 grade point average. The College reported that it met this goal for 2001; however, the supporting documentation showed that grade point data was reported for only 1 of the 46 students. Therefore, the reported information was not supported.

For award year 2002, we reviewed the three performance objectives used to determine points that count toward future grant funding (34 C.F.R. § 645.32 (2001)) for the UBYS and UBMS programs (i.e., to serve the minimum number of students; verify that at least two-thirds of the students were low-income students and/or potential first generation college students; and provide TRIO services to all 50 students served that year). The reported objectives were accurate and documented.

The procedures for preparing TRIO performance reports did not include safeguards to ensure reporting errors were identified. One supervisor was responsible for checking the 2001 award year performance data for accuracy. The supervisor stated that there was not enough time to thoroughly review each student's performance data for accuracy. An additional staff member was assigned to help check the accuracy of the 2002 award year performance report, which was supported. However, the staff member was no longer employed. The College had not assigned anyone else to help verify the accuracy of the 2003 award year performance data.

By not preparing and submitting performance reports that accurately reflect accurate accomplishments of performance goals, there is a risk that the College is not meeting the goals in its grant proposal. The Department relies on performance data to determine whether a grantee is accomplishing its grant objectives and deserves continued funding.

RECOMMENDATION

We recommend that the Assistant Secretary of the Office of Postsecondary Education require the College to:

- 5.1 Establish adequate procedures for preparing performance reports to ensure that the performance data reported for each student is accurate and supported by sufficient documentation.

STILLMAN COLLEGE RESPONSE

A plan has been developed to ensure that adequate procedures for performance data reported for each student is accurate and supported by sufficient documentation. The College has put a staff in place to review student files, monitor program progress on a monthly basis to serve as a safeguard to identify and offset possible errors, and to ensure that program services are properly coded and documented. As indicated in the audit

report, the TRIO performance report for award year 2002 showed reported objectives to be accurate and documented.

OIG COMMENTS

We appreciate the College's effort to strengthen its policies, procedures, and management controls to improve its performance reporting to the Department. The actions described in the College's response should help ensure that TRIO performance reports are accurate and supported by documentation.

BACKGROUND

Stillman College is a four-year, private, non-profit, Historically Black College located in Tuscaloosa, AL. The College was founded by the General Assembly of the Presbyterian Church in 1875. The College is accredited by the Southern Association of Colleges and Schools. The College has an enrollment of about 1,500 full-time students.

During the scope of this audit, the College participated in the following TRIO programs: Student Support Services, Upward Bound, Upward Bound Young Scholars, and Upward Bound Math & Science. According to GAPS, the College had drawn down \$3,497,121 for these TRIO grants as of October 31, 2002, as follows:

- Student Support Services (09/01/1997 – 08/31/2001) - \$813,038
- Upward Bound (06/01/2000 – 10/31/2002) - \$1,253,053
- Upward Bound Young Scholars (09/01/1999 – 10/31/2002) - \$746,633
- Upward Bound Math & Science (11/01/1999 – 10/31/2002) - \$684,397

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit objective was to determine whether the College administered the Federal TRIO programs in accordance with Title IV, Section 402A of the Higher Education Act of 1965, as amended, and the Education Department General Administrative Regulations (EDGAR). Specifically, we determined whether the College adhered to TRIO requirements regarding (1) accounting for and using funds, (2) determining participant eligibility, (3) providing eligible services, (4) documenting the achievement of program objectives, (5) submitting required reports, and (6) supporting salary and wage charges. Audit coverage included the following grant periods (as of October 31, 2002) for the four TRIO programs administered by the College:

- Student Support Services - 09/01/1997 – 08/31/2001
- Upward Bound - 06/01/2000 – 05/30/2004
- Upward Bound Young Scholars - 09/01/1999 – 08/31/2004
- Upward Bound Math & Science - 11/01/1999 – 10/31/2004

To accomplish our objectives, we reviewed laws, regulations, and policies applicable to the TRIO programs; interviewed U.S. Department of Education officials from the TRIO Program Office and Higher Education Programs' Program Monitoring Information Technology Office; reviewed the College's grant applications and approved budgets for its four TRIO grants; interviewed selected College officials responsible for administering the TRIO programs and funds; reviewed the College's compliance and financial statement audits for its fiscal years 1999, 2000, and 2001; reviewed the College's bank statements; reviewed the College's accounting records related to requesting, accounting for, and using grant funds; and reviewed the College's 2000-2001 award year performance reports for the four TRIO programs.

To test the accounting for and use of funds we reviewed cash management by comparing all drawdowns to all expenses recorded by the College for the SSS grant that closed in August 2001 and the UB, UBYS, and UBMS grants as of October 31, 2002. We also tested the use of funds by reviewing the propriety of travel expenditures. We reviewed supporting documentation for a judgmental sample of 7 of 20 student and staff trips paid for with TRIO funds during award year 2000-2001. For the staff trips, we reviewed trips to two large cities and one small city. For the student trips, we reviewed the three most expensive trips taken and one trip based on TRIO program office concerns. In addition, we attempted to test the use of funds by reviewing computer equipment purchased with TRIO funds; however, there was no adequate equipment inventory maintained.

To verify student eligibility, we reviewed a random sample of 47 of 462 student files for the four TRIO grants in the 2000-2001 award year and reviewed all student files (50 each) for the 2001-2002 UBYS and UBMS grants.

To test the propriety of services provided, we reviewed a random sample of 5 of 45 SSS math and 9 of 88 SSS English tutoring sign-in sheets for the 2000-2001 award year. The sign-in sheet contained 69 math students and 167 English students. We further reviewed a random sample of 6 of 30 UB/UBYS/UBMS attendance books in school year 2000 and 4 of 8 attendance books in 2001.

To test reported program achievements, we reviewed a random sample of 47 of 462 student files for the four TRIO grants in the 2000-2001 award year and reviewed all student files (50 each) for the 2001-2002 UBYS and UBMS grants. We compared the 2000-2001 performance report to the documentation in the 47 student files and the information in the BLUMEN student database system. For the 2001-2002 award year, we reviewed all of the BLUMEN information for all students that participated in the UBYS and UBMS programs.

To test the submission of required reports, we verified the submission date for all four of the 2000-2001 TRIO performance reports. We also verified the submission date of the OMB A-133 audit report for school fiscal years 1999, 2000, and 2001.

To test payroll expenditures, we reviewed a random sample of 3 months for each of the four TRIO programs for the 2000-2001 award year and a random sample of 3 of 7 payroll

ledgers for the four TRIO grants for the 2001-2002 award year. To test other expenditures, we reviewed a random sample of 18 of 180 general, non-salary TRIO expenditures for the four TRIO grants in the 2000-2001 award year and 15 of 147 expenditures in the 2001-2002 award year.

During the audit, we relied on computer-processed data contained in the College's "Colleague" accounting system and "BLUMEN" TRIO student information database. We assessed the general and application controls over these systems and found them to be adequate. We also conducted limited testing of the data contained in the systems. Based on these assessments and tests, we concluded that the data were sufficiently reliable to meet the audit objectives.

We conducted fieldwork during the period August 2002 through February 2003. We conducted an exit conference with College officials on March 20, 2003. We conducted the audit according to generally accepted government auditing standards appropriate to the scope of the review described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of the audit, we assessed the system of management controls, policies, procedures, and practices applicable to the College's administration of the TRIO programs. Our assessment was performed to determine the level of control risk for determining the nature, extent, and timing of substantive tests to accomplish the audit objectives. For the purposes of this report, we assessed and classified significant controls into the following categories: Drawdown of TRIO funds, recording of TRIO expenditures, determining student eligibility, providing services to eligible students, preparation and submission of performance and audit reports, and inventory of equipment purchased with TRIO funds.

Due to inherent limitations, an evaluation made for the limited purposes described above would not necessarily disclose all material weaknesses in the management controls. We identified no significant deficiencies with determining student eligibility or submitting reports. However, our overall assessment disclosed management control weaknesses in each of the other control areas mentioned above. These weaknesses are discussed in the AUDIT RESULTS section of this report.

Attachment A - Performance Goals With Inaccurate Supporting Documentation

Table 5.1 - Upward Bound 2001 Award Year

				Accuracy Percentage
1. To identify, recruit, and select 120 participants who meet the low-income, first generation criteria and have need for services.	Student eligibility correctly reported	17	4	77%
2. To provide counseling and guidance to 100% of the 120 participants to ensure that they graduate from high school and prepare to enter a postsecondary institution.	Academic Advisement reported correctly	17	11	35%
3. To provide academic achievement and individualized prescriptions of services and activities to 100% of the 120 participants to provide support for accomplishing educational and career goals.	College Prep Classes reported correctly	17	8	53%
4. To inspire 96% of the 120 participants to maintain at least a 2.5 grade point average on a 4.0 scale.	Ending GPA reported correctly	17	15	12%
5. To advance 96% of the 120 participants selected one grade level each year through classroom instruction and tutoring.	Ending grade level reported correctly	17	2	88%
6. To increase the raw scores of 75% of the 120 participants by 10% on the teacher-constructed tests and by .5% growth rate on the Test of Adult Basic Education (TABE) in English, Literature, Mathematics, Reading and Vocabulary.	Not in Detail Report, Not Verified	N/A	N/A	N/A

Attachment A - Performance Goals With Inaccurate Supporting Documentation

				Percentage
7. To retain at least 80% of the 120 participants who enter the program until the completion of their secondary education.	Exit date reported correctly	17	3	82%
8. To graduate 65% of the seniors who participate in the Summer Bridge Program from college within six years.	Degree level reported correctly	17	15	12%
9. To motivate at least 75% of the 120 participants who enroll in postsecondary schools to pursue and complete degrees.	Not in Detail Report, Not Verified	N/A	N/A	N/A
10. To administer the PLAN to the non-bridge students during the Summer Residential Component resulting in 60% of the freshmen scoring 15 and above and 70% of the sophomores scoring 17 and above.	PLAN score reported correctly	17	2	88%
11. To administer the ACT to 100% of the juniors each year resulting in 75% of the juniors scoring 20 and above.	Not verified for accuracy	N/A	N/A	N/A
12. To provide academic enrichment, social, and cultural experiences for 100% of the 120 participants for personal growth and development.	Cultural Activity reported correctly	17	8	53%

Attachment A - Performance Goals With Inaccurate Supporting Documentation

Table 5.2 – Upward Bound Young Scholar 2001 Award Year

				Accuracy Percentage
1. To identify, recruit, and select 50 participants who meet the low-income, first generation criteria and have need for services.	Student eligibility correctly reported	7	3	57%
2. To provide counseling and guidance to 100% of the participants to ensure that they graduate from high school and prepare to enter a postsecondary institution.	Academic Advisement correctly reported	7	4	43%
3. To provide academic achievement and individualized prescriptions of services and activities to 100% of the 50 participants to provide support for accomplishing educational and career goals.	College Prep correctly reported	7	7	0%
4. To inspire 96% of the participants to maintain at least a 2.5 grade point average on a 4.0 scale.	Ending GPA reported correctly	7	1	86%
5. To advance 96% of the participants selected one grade level each year through classroom instruction and tutoring.	Ending Grade reported correctly	7	5	29%
6. To increase the raw scores of 75% of the 50 participants by 10% on the teacher-constructed tests and by 9% growth rate on the Test of Adult Basic Education (TABE) in English, Literature, Mathematics, Reading and Vocabulary.	Not in Detail Report ³ , Not Verified	N/A	N/A	N/A

³ The College submitted its performance reports electronically. The performance reports included a summary page, which provided total figures for performance goals met by all students. The reports also included a detailed spreadsheet that showed each participating student's individual performance data. This is referred to in this table as the "Detail Report."

Attachment A - Performance Goals With Inaccurate Supporting Documentation

Objective				Accuracy Percentage
7. To retain at least 80% of the 50 participants who enter the program until the completion of their secondary education.	Exit date reported correctly	7	2	71%
8. To graduate a minimum of 65% of the seniors who participate in the Summer Bridge Program from college within six years.	Degree level reported correctly	7	0	100%
9. To motivate at least 75% of the 50 participants who enroll in postsecondary schools to pursue and complete degrees.	Not in Detail Report, Not Verified	N/A	N/A	N/A
10. To administer the PLAN to non-bridge students during the Summer Residential Component resulting in 60% of the freshmen scoring 15 and above and 70% of the sophomores scoring 17 and above.	PLAN reported correctly	7	3	57%
11. To administer the ACT to 100% of the juniors each year resulting in 75% of the juniors scoring a 20 and above.	ACT reported correctly	7	1	86%
12. To provide academic enrichment, social, and cultural experiences for 100% of the fifty (50) participants for personal growth and development.	Cultural Activity reported correctly	7	7	0%

Attachment B – Written Response to the Draft Report



STILLMAN

September 12, 2003

Mr. J. Wayne Bynum
Regional Inspector General
United States Department of Education
61 Forsyth Street, Room 18T71
Atlanta, GA 30303

Dear Mr. Bynum:

I apologize for the delay in responding to the TRIO audit findings and the College greatly appreciates the extension given to complete its response. The attached report includes a response to each of the five audit findings. In the instances where the College does not agree with the findings, documentation was provided to support the College's position.

Over the past two years, the College has implemented several policy and procedural changes to improve the accounting and monitoring of all restricted funds. Most of the findings identified in the audit report represent problems from earlier years (99, 00, 01), which the College has worked diligently to correct. The impact of the policy changes can be seen in this audit, whereby there were very few deficiencies found in the 2002 award year.

The College will continue to work to improve its internal control policies and procedures to ensure absolute compliance with TRIO regulations.

If you have any questions, please do not hesitate to contact me at (205) 366-8868.

Regards,

Lois Collins Gwinn
Business Manager

Cc: Dr. Ernest McNealey
Dr. Christopher Jefferies
Mr. Vernon Freeman

Post Office Box 1430 • Tuscaloosa, Alabama 35403
Telephone 205 349-4240

Attachment B – Written Response to the Draft Report

TRIO OIG AUDIT RESPONSE September 5, 2003

Finding No. 1 - The College Drew Down More TRIO funds than were recorded as expenditures

Using the time periods identified at the beginning of the audit for each TRIO program; Student Support Services (9/1/97-10/31/02), Upward Bound and Initiatives (6/1/00-10/31/02), Upward Bound Young Scholars and Initiatives (9/1/99-10/31/02), and Upward Bound Math & Science (11/1/99-10/31/02), our analysis show a difference of \$174,348.98 between expenses recorded and the fund draw-downs. Below is a summary of the findings. *See schedule 1 for a detail comparison of Program expenses and draws.*

<u>TRIO Program</u>	<u>Drawdowns</u>	<u>Expenses Recorded</u>	<u>Draws Not Expended</u>
Student Support Services (SSS)	\$1,071,086	\$1,084,438	\$ 13,352
Upward Bound (UB)	1,253,053	1,303,523	50,470
Upward Bound Young Scholars (UBYS)	749,253	681,345	(67,908)
Upward Bound Math Science (UBMS)	684,397	514,134	<u>(170,263)</u>
			\$238,171.00

The excess cash is reduced to \$174,349 when the expenses which were incurred for SSS and UB, but not reimbursed are included.

In addition, it was discovered that during 99-00 indirect cost was not charged to any of the TRIO programs, nor were the UBYS and UBMS programs billed for Room charges for their Summer programs. These amounts totaled \$57,273. A break-down of these charges are as follows:

<u>TRIO Program</u>	<u>Indirect Cost</u>	<u>Room Charges</u>
UBMS	\$ 6,120	\$ 17,352
UBYS	7,960	16,940
SSS	<u>8,901</u>	
	\$22,981	<u>\$ 34,292</u>

It appears as though these costs were taken into consideration when the draw-downs were done, but were never recorded on the ledger. Taking these legitimate expenses into consideration, the draw-downs exceed expenses by \$189,799, not \$313,545.

Throughout the audit, it was communicated that the College implemented a new integrated accounting system, which required a new account number structure. As part of the transition to the new account number, several TRIO transactions were coded with the old account numbers. The accountants worked to correct the account number problems, but it apparently did not catch all of them. The excess cash in the UBYS and UBMS and the overage in UB and SSS are attributed to the account number change.

Attachment B – Written Response to the Draft Report

RECOMMENDATION RESPONSE

Over the past 18 months, several process changes have been made to improve the College's grant accounting procedures.

- Hired a new grant account who has over 15 years experience working with Federal funds
- Made it mandatory that all grant expenditures (other than payroll) adhere to the electronic requisition process.
- All requests are reviewed by the grant account to verify that the account numbers are correct for the period of the purchase and that the request is in adherence to College policies and Federal regulations.
- After requests are entered and printed from the system, the Comptroller reviews the account coding and verifies that appropriate paperwork is attached. Also, indicate the payment date for expense items.
- To ensure that personnel is properly charged to the grant, each Program Director is asked to complete a "Request for Payroll/Personnel Action" form at the beginning of the grant year for each employee. A copy of this form is attached. This form is also completed when a new employee is hired or there is a change in an employee status.
- At month end, the grant accountant reconciles the ledger to fund draws, if expenses exceed draw-downs, grant accountant submits request to the staff accountant to draw down funds. Funds are only drawn to cover expenses incurred and direct cost. If for any reason it's determined that excess cash has been overdrawn, the cash is returned. Based on the new process overdraws would only occur if P.O.s or requisitions are later cancelled. A copy of spreadsheet is attached.

With these changes, the College is confident that all TRIO transactions will be properly coded and recorded.

Finding No. 2 The College Lacked Proper Accounting Controls

Employee Salary Expenses Inaccurately Recorded

During FY 2001, the audit reports that 18 out of 57 payroll records sampled were incorrectly coded to the appropriate TRIO grant and no significant deficiencies were found in FY2002.

RECOMMENDATION RESPONSE

Throughout the audit, it was communicated that the College implemented a new integrated accounting system, which required a new account number structure. As part of the transition to the new account number, several TRIO transactions were coded with the old account numbers. The accountants worked to correct the account number problems, but it apparently did not catch all of them. The excess cash in the UBYS and UBMS and the overage in UB and SSS are attributed to the account number change.

Attachment B – Written Response to the Draft Report

In response to the comment regarding “stipends and salary payments recorded at least one month after payments were made”, the College outsources its Payroll to ADP, which requires that the College **manually** record all Payroll transactions in its accounting system. This is a tedious and time-consuming process, which accounts for the delay in getting these expenses on the books. Detail payroll reports are provided from ADP, so the College is aware of the monthly payroll expense for the TRIO programs.

The College implemented a new policy, which requires the TRIO Program Director to complete a “Personnel Action Form” for all grant employees at the beginning of each new grant period. The form request information regarding employee gross pay, name of TRIO Program, account number, and if employee is paid from multiple sources, the programs and the appropriate budget account number. (See Attachment 1) As a result of implementing this new policy, the OIG audit found no deficiencies in their samples for the 2002 award year.

TRIO Expenditures on Financial Statements Not Supported

It was determined that there was a difference between the amount of TRIO expenditures reported on the College’s FY 2001 financial statements and what was recorded in the accounting ledgers. We have contacted our auditors, Bank, Finley and White, to inquire about the discrepancy. The auditors are looking at their work papers to determine the explanation for difference.

Finding No. 3 – Inventory Not Maintained of Equipment Purchased with TRIO funds

The College feels that it was in compliance with regulations at 34 C.F.R. 74.2 (2001), which defines equipment as “tangible..... useful life of more than one year and an acquisition cost of \$5,000 or more per unit”. This equipment was not capitalized, but was tracked in our inventory report. To improve the tracking of these purchases, the College’s inventory procedures have been updated to include the recording all of the information required by federal regulations. The inventory will now include:

- | | |
|---|-------------------------------------|
| (1) Description of Equipment | (2) Identification number, serial # |
| (3) TRIO program purchasing equipment | (4) Acquisition date |
| (5) Location and condition of equipment | (6) Acquisition cost |
| (7) Disposition data | |

Also, Auxiliary Service is provided with the appropriate paperwork when capital purchases are initiated and are notified when equipment is received, so that it can be properly inventoried and tagged.

Attachment B – Written Response to the Draft Report

In reference to the statement “The Business Office Manager stated that several computers had been stolen from the campus.....”. The Business Office Manager can say with confidence that the computers “stolen” from the campus were not purchased with Federal funds. The Business Office Manager told the OIG auditors that some **laptop computers, which were issued to students by the College were stolen.** All laptop computers that were issued to students were indeed purchased with College funds. The Business Office Manager did not make a GENERAL statement regarding computers being stolen, the comment was very specific as it related to laptop computers.

Finding No. 4 – Student Support Services Were Provided to Non-Participants

The College feels it was in compliance with SSS regulation [34 DFR Section 646.32(d)(1) (2001)] as it relates to coordinating project services with other College programs to provide support activities to disadvantage students. The College does offer tutoring, mentoring, and academic advising to students, however, the College did not have a structured English and Mathematics tutoring programs, which was readily available to the general student population.

Also, in reference to the statement “The President and TRIO Director stated that non-participants were allowed to use SSS services in order to encourage non-participants to join the SSS program”, the President disavows making that statement.

RECOMMENDATION RESPONSE

In response to the audit recommendation, the following plan has been developed to ensure that SSS English and mathematics tutors paid 100 percent with TRIO funds only provide services to eligible participants:

The College has put in place a procedure whereby only eligible participants are provided services by SSS English and mathematics tutors. Sign-in sheets are monitored to ensure SSS participant use of the TRIO laboratories.

Finding No. 5 – Upward Bound and Upward Bound Young Scholars Performance Reports We Not Always Accurate

We recommend that the Assistant Secretary of the Office of Postsecondary Education require the College to:

- 5.1 Establish adequate procedures for preparing performance reports to ensure that the performance data reported for each student is accurate and supported by sufficient documentation.

Attachment B – Written Response to the Draft Report

RECOMMENDATION RESPONSE

The following plan has been developed to ensure that adequate procedures for performance data reported for each student is accurate and supported by sufficient documentation:

The College has put a staff in place to review student files, monitor program progress on a monthly basis to serve as a safeguard to identify and offset possible errors, and to ensure that program services are properly coded and documented.

As indicated by the performance report in Finding No. 5, TRIO performance report for award year 2002 showed reported objectives to be accurate and documented.

Attachment B – Written Response to the Draft Report

Schedule A

Fiscal Year	97-98	98-99	99-00	00-01	01-02	02-03	Subman Expenses	OID expenses	DIFFERENCE OID Exp vs Subman Exp	OID drawdowns	Difference OID Draw vs Subman Exp	Subman drawdowns	Difference Subman Draw vs Bill Exp
Upward Bound 06/1/00 - 10/30/02				69,545.02	163,502.77	96,528.14	329,605.93						
				432,018.29	30,872.26	66,375.52	529,267.07						
				108.27	246,802.57		246,910.84						
				501,872.58	441,207.60	162,303.66	1,105,793.84						
Upward Bound Supp 06/1/00 - 10/30/02				6.66	14,197.43	16,876.21	33,073.64						
				41,000.86	62,041.53	17,517.43	22,156.58						
				39,496.71	80,787.45	36,447.64	197,729.12						
				80,504.03	527,995.05	189,351.30	1,203,622.96	(1,227,431.00)	76,091.96	(1,253,131.00)	50,391.96	(1,253,053.00)	50,469.96
				582,178.61	51,680.83	28,710.31	569,411.62						
				185,797.09	195,090.84	395,054.26	119,972.85						
				26,558.04	103,397.26	28,710.31	1,294,438.83	(667,144.00)	817,294.83	(813,028.00)	271,400.83	(1,071,098.00)	13,385.83
Special Services 09/01/97 - 10/31/02	172,296.47	49,594.18	81,160.84	185,797.09	51,680.83	28,710.31	569,411.62						
	66,619.00	71,254.28	13,552.20	26,558.04	103,397.26	28,710.31	119,972.85						
	286,895.47	120,890.46	111,286.37	212,355.13	205,078.09								
Total for SSS				69,475.13	121,996.85								
Math Science 11/01/98 - 10/31/02				175,753.16	69,475.13								
				15,201.73	121,996.85								
				22,907.69	50,121.40								
				226,099.33	181,471.68								
Total for Math Science				6,065.32	6,065.32								
				349,181.85	130,815.68								
				26,805.26	568,602.79								
Young Scholar 09/01/98 - 10/31/02				95,361.37	46,184.42								
				1,945.18	103,397.26								
				26,805.26	6,065.32								
Total for Young Scholar				149,581.70	15,071.80								
				46,181.18	10,528.65								
				129,327	60,911.20								
Young Scholar Init 09/01/98 - 10/31/02				42,969.93	5,021.80								
				80,439.85	11,087.02								
Total for Young Scholar Initiative				174,742.13	667,306.00								
				29,028.92	(749,253.00)								
Total for Young Scholar and Young Scholar Initiative				316,104.54	230,021.55								
				3,283,440.02	(2,820,505.00)								
				682,835.02	(3,508,695.00)								
				46,098.81	(681,273.00)								
				177,129.39	(684,297.00)								
				170,883.88									